

KEOKUK COUNTY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2015

KEOKUK COUNTY, IOWA

TABLE OF CONTENTS
JUNE 30, 2015

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-9
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 10
Statement of Activities	B 11
Governmental Fund Financial Statements:	
Balance Sheet	C 12
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D 13
Statement of Revenues, Expenditures and Changes in Fund Balances	E 14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 15
Proprietary Fund Financial Statements:	
Statement of Net Position	G 16
Statement of Revenues, Expenses and Changes in Fund Net Position	H 17
Statement of Cash Flows	I 18
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	J 19
Notes to Financial Statements	20-36
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds	37
Budgetary Comparison Schedule - Budget to GAAP Reconciliation	38
Notes to Required Supplementary Information – Budgetary Reporting	39
Schedule of the County's Proportionate Share of the Net Pension Liability	40
Schedule of County Contributions	41
Notes to Required Supplementary Information – Pension Liability	42
Schedule of Funding Progress for the Retiree Health Plan	43
Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 44-45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 46-47
Agency Funds:	
Combining Schedule of Fiduciary Assets and Liabilities	3 48-51
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4 52-55
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5 56-57
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	58-59
Schedule of Findings	60-62

KEOKUK COUNTY, IOWA

OFFICIALS

(Before January 2015)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Hadley	Board of Supervisors	January, 2015
Michael Berg	Board of Supervisors	January, 2017
Daryl Wood	Board of Supervisors	January, 2015
Christy Bates	County Auditor	January, 2017
Christine Edmundson	County Treasurer	January, 2015
Melissa Bird	County Recorder	January, 2015
Casey Hinnah	County Sheriff	January, 2017
John E. Schroeder	County Attorney	January, 2015
Charles Kent	County Assessor	January, 2016

(After January 2015)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Hadley	Board of Supervisors	January, 2019
Michael Berg	Board of Supervisors	January, 2017
Daryl Wood	Board of Supervisors	January, 2019
Christy Bates	County Auditor	January, 2017
Christine Edmundson	County Treasurer	January, 2019
Dawn Goldman	County Recorder	January, 2017
Casey Hinnah	County Sheriff	January, 2017
John E. Schroeder	County Attorney	January, 2019
Charles Kent	County Assessor	January, 2016

INDEPENDENT AUDITOR'S REPORT

To the Elected Officials of
Keokuk County, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Keokuk County, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Keokuk County, Iowa's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Keokuk County, Iowa, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 to the financial statements, Keokuk County, Iowa adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 9 and 37 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Keokuk County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2016, on our consideration of Keokuk County, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Keokuk County, Iowa's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
January 12, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Keokuk County, Iowa, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- The County's Governmental funds' revenues decreased \$ 1,274,509 from fiscal year 2014 to fiscal year 2015. Capital grants, contributions and restricted interest decreased \$1,256,573.
- The County's Governmental funds' expenditures totaled \$2,686,362 more in fiscal year 2015 than in fiscal year 2014. Road and transportation expenditures made up the largest increase at \$3,043,279.
- The County's Governmental funds' net position increased 31.3%, or \$763,884, from June 30, 2014 to June 30, 2015.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Keokuk County, Iowa as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Keokuk County, Iowa's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide financial information about activities for which Keokuk County, Iowa acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt, capital projects, and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include:
 1. The General Fund,
 2. The Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads,
 3. The Capital Projects Fund.

These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for agriculture extension education, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Keokuk County, Iowa's combined net position increased from \$24,427,656 to \$25,191,540 during the year ended June 30, 2015. The analysis that follows focuses on the changes in the net position for governmental activities.

Net Position of Governmental Activities

	<u>June 30, 2015</u>	<u>June 30, 2014</u> <u>As restated</u>
Current and other assets	\$ 10,685,226	\$ 10,668,135
Capital assets	<u>22,090,923</u>	<u>21,721,195</u>
Total assets	<u>32,776,149</u>	<u>32,389,330</u>
Deferred outflows of resources	<u>358,091</u>	<u>285,652</u>
Long-term liabilities	1,627,401	2,613,741
Other liabilities	<u>609,752</u>	<u>762,057</u>
Total liabilities	<u>2,237,153</u>	<u>3,375,798</u>
Deferred inflows of resources	<u>5,705,547</u>	<u>4,871,528</u>
Net position:		
Net investment in capital assets	22,090,923	21,721,195
Restricted	4,600,201	4,090,074
Unrestricted	<u>(1,499,584)</u>	<u>(1,383,613)</u>
Total net position	\$ <u>25,191,540</u>	\$ <u>24,427,656</u>

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$2,072,706 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for pension expense and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Net position of Keokuk County, Iowa's governmental activities increased by \$763,884 (\$25,191,540 compared to \$24,427,656). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt (if any) related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$(1,499,584) and \$(1,383,613) at June 30, 2015 and 2014, respectively.

Changes in Net Position of Governmental Activities

	Year Ended	
	<u>June 30, 2015</u>	<u>June 30, 2014, not restated</u>
Revenues:		
Program revenues:		
Charges for service	\$ 971,950	\$ 1,075,554
Operating grants, contributions and restricted interest	4,444,288	5,040,361
Capital grants, contributions and restricted interest	669,477	1,926,050
General revenues:		
Property and other county tax	3,191,285	2,582,887
Penalty and interest on property tax	41,224	29,627
State tax credits	224,802	165,178
Unrestricted investment earnings	14,819	20,044
Loss on disposal of capital assets	-	(2,000)
Other general revenues	10,277	4,930
Total revenues	<u>9,568,122</u>	<u>10,842,631</u>
Program expenses:		
Public safety and legal services	519,529	1,039,068
Physical health and social services	568,534	568,821
Mental health	111,470	160,645
County environment and education	589,125	614,946
Roads and transportation	4,732,395	1,689,116
Governmental services to residents	326,638	352,621
Administration	1,956,547	1,685,229
Interest on long-term debt	-	7,430
Total expenses	<u>8,804,238</u>	<u>6,117,876</u>
Change in net position	763,884	4,724,755
Net position beginning of year, as restated	<u>24,427,656</u>	<u>21,775,607</u>
Net position end of year	\$ <u>25,191,540</u>	\$ <u>26,500,362</u>

The County decreased property tax asking for the 2016 fiscal year by 2.4%. The property and other County tax asking for the fiscal year 2016 was set at \$4,493,144, a decrease of \$111,934 from the fiscal year 2015.

INDIVIDUAL MAJOR FUND ANALYSIS

As Keokuk County, Iowa completed the year, its governmental funds reported a combined fund balance of \$5,403,127, an increase of \$198,982 compared to last year's total of \$5,204,145. The increase in fund balance is primarily attributable to the Secondary Roads Fund. The following are the major reasons for the changes in the fund balances of the major funds from the prior year:

- General Fund revenues and expenditures were \$4,233,001 and \$4,118,459, respectively. The ending fund balance showed a increase of \$23,142 from the prior year to \$1,722,839. The fund balance decrease for the fiscal year ending June 30, 2014 was \$247,663. The primary reason for the increase is due to increased revenues.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$111,455 a decrease of 30.3% from the prior year. Revenues decreased in the current year by \$432,198, a decrease of 86.4% from the prior year. The Mental Health Fund balance at year end decreased by \$43,495 from the prior year.
- Rural Services ending fund balance increased \$13,027 from the June 30, 2014 balance.
- Secondary Roads Fund revenues decreased by \$11,817 compared to the prior year. This decrease in revenue resulted in an increase in the Secondary Roads Fund ending balance of \$136,734 or 9.1% (the prior year increase was \$145,823).

BUDGETARY HIGHLIGHTS

Over the course of the year, Keokuk County, Iowa amended its budget once. The amendment was made in May 2015 and resulted in an increase in budgeted disbursements for several functions.

The County's receipts were \$73,674 less than budgeted, a variance of .8%. The most significant variance resulted from the County receiving less use of money and property receipts than anticipated.

Total disbursements were \$1,225,341 less than the amended budget. Actual disbursements for the physical health and social services, mental health, administration and capital project functions were \$157,484, \$377,068, \$319,129, and \$200,645 respectively, less than budgeted.

Even with the budget amendments, the County exceeded the budgeted amounts in the county environment and education function for the year ended June 30, 2015.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, Keokuk County had \$22,090,923 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$369,728 or 1.7% percent more than last year.

Capital Assets of Governmental Activities at Year End

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Land	\$ 1,010,900	\$ 1,010,900
Construction in progress	-	1,926,050
Buildings and improvements	1,779,321	1,322,249
Equipment and vehicles	1,937,819	1,940,363
Infrastructure	<u>17,362,883</u>	<u>15,521,633</u>
Total	\$ <u>22,090,923</u>	\$ <u>21,721,195</u>
Major additions included:		
Construction in progress	\$ 423,401	\$ 1,926,050
Buildings and improvements	518,529	-
Equipment and vehicles	366,699	584,885
Infrastructure	<u>99,976</u>	<u>2,815,099</u>
Total	\$ <u>1,408,605</u>	\$ <u>5,326,034</u>

The County had depreciation expense of \$1,038,877 in fiscal year 2015 and total accumulated depreciation of \$7,426,223 at June 30, 2015.

The County's fiscal year 2015 capital budget included \$454,000 for capital projects, principally for road and bridge improvements and conservation projects. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Liabilities

At June 30, 2015, Keokuk County, Iowa had \$1,940,569 in general obligation capital loan notes and other long-term liabilities outstanding compared to \$2,928,304 at June 30, 2014, as shown below:

Outstanding Long-term Liabilities of Governmental Activities at Year-End

	<u>June 30, 2015</u>	<u>June 30, 2014,</u> <u>as restated</u>
Capital loan notes	\$ 60,000	\$ 120,000
Compensated absences	253,168	254,563
Sick leave conversion	28,431	24,575
Net OPEB liability	190,935	170,808
Net pension liability	<u>1,408,035</u>	<u>2,358,358</u>
Total	\$ <u>1,940,569</u>	\$ <u>2,928,304</u>

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Keokuk County, Iowa's outstanding general obligation debt of \$60,000 is significantly below its constitutional debt limit of \$27,082,919. Other obligations include net OPEB liability, net pension liability, accrued compensated absences and sick leave conversion. Additional information about the County's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Keokuk County, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates, and the fees charged for various County activities. One of those factors is the economy. Unemployment (as of June 2015) in the County now stands at 3.4% versus 4.3% a year ago. This compares with the State's unemployment rate of 3.6% and the national rate of 5.3%.

Inflation in the State was somewhat lower than the national Consumer Price Index decrease. The State's CPI decrease was (1.860)% for the twelve month period ending June 2015 compared with an increase in the national rate of .293%.

These indicators were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget are \$10,399,742, an increase of .9% from the final fiscal year 2015 budget. The amount of revenue to support the above expenditures is projected to decrease 3.6% from the final fiscal year 2015 budget to \$8,820,617. Property and other County taxes supporting the fiscal year 2016 budget decreased \$111,934 from the final fiscal year 2015 budget and makes up 50.9% of the revenue for the fiscal year 2016 budgeted expenditures.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of the 2016 fiscal year by \$1,579,125 leaving an overall reserve of approximately 26.2% of budgeted fiscal year 2016 expenditures.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Keokuk County, Iowa's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Keokuk County Auditor's Office, 101 South Main Street, Sigourney, Iowa.

BASIC FINANCIAL STATEMENTS

KEOKUK COUNTY, IOWA
STATEMENT OF NET POSITION
JUNE 30, 2015

Governmental
Activities

ASSETS:

Cash, cash equivalents and pooled investments	\$ 4,855,251
Receivables:	
Property tax:	
Delinquent	9,879
Succeeding year	4,856,191
Accounts	28,469
Due from other governments	321,908
Contracts receivable	91,065
Inventories	338,456
Prepaid expenses	184,007
Capital assets (net of accumulated depreciation)	22,090,923
TOTAL ASSETS	<u>32,776,149</u>

DEFERRED OUTFLOWS OF RESOURCES:

Pension related deferred outflows	<u>358,091</u>
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LIABILITIES:

Accounts payable	98,002
Salaries and benefits payable	92,355
Due to other governments	10,219
Accrued interest payable	215
Deferred revenues	95,793
Long-term liabilities:	
Portion due and payable within one year:	
Capital loan notes	60,000
Compensated absences	253,168
Portion due and payable after one year:	
Net pension liability	1,408,035
Sick leave conversion	28,431
Net OPEB liability	190,935
TOTAL LIABILITIES	<u>2,237,153</u>

DEFERRED INFLOWS OF RESOURCES:

Unavailable revenues:	
Unavailable property tax revenue	4,856,191
Pension related deferred inflows	849,356
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,705,547</u>

NET POSITION:

Net investment in capital assets	22,090,923
Restricted for:	
Supplemental levy	919,913
Mental health	891,117
Rural services	675,755
Secondary roads	1,642,511
Other purposes	470,905
Unrestricted	(1,499,584)
TOTAL NET POSITION	<u>\$ 25,191,540</u>

See Notes to Financial Statements

KEOKUK COUNTY, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental activities:					
Public safety and legal services	\$ 519,529	\$ 54,395	\$ 48,329	\$ 146,100	\$ (270,705)
Physical health and social services	568,534	283,718	68,334		(216,482)
Mental health	111,470	901	67,059		(43,510)
County environment and education	589,125	153,170	686,955		251,000
Roads and transportation	4,732,395	281,086	3,486,487	523,377	(441,445)
Governmental services to residents	326,638	192,172	78,661		(55,805)
Administration	1,956,547	6,508	8,463		(1,941,576)
Total	\$ 8,804,238	\$ 971,950	\$ 4,444,288	\$ 669,477	(2,718,523)
General revenues:					
Property and other County tax levied for:					
General purposes					3,191,285
Penalty and interest on property tax					41,224
State tax credits					224,802
Unrestricted investment earnings					14,819
Miscellaneous					10,277
Total general revenues					3,482,407
Change in net position					763,884
NET POSITION - Beginning of year, as restated					24,427,656
NET POSITION - End of year					\$ 25,191,540

KEOKUK COUNTY, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

		Special Revenue			Nonmajor	
	General	MH-DD Services	Rural Services	Secondary Roads	Governmental Funds	Total
<u>ASSETS</u>						
Cash, cash equivalents and pooled investments	\$ 1,640,003	\$ 897,693	\$ 682,782	\$ 1,118,753	\$ 469,004	\$ 4,808,235
Receivables:						
Property tax:						
Delinquent	6,911	-	2,968	-	-	9,879
Succeeding year	3,397,314	-	1,458,877	-	-	4,856,191
Accounts	946	-	-	27,523	-	28,469
Due from other governments	55,578	2,972	-	258,047	5,311	321,908
Contracts receivable	-	-	-	91,065	-	91,065
Inventories	-	-	-	338,456	-	338,456
Prepaid expenses	106,635	-	-	-	-	106,635
TOTAL ASSETS	\$ 5,207,387	\$ 900,665	\$ 2,144,627	\$ 1,833,844	\$ 474,315	\$ 10,560,838
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>						
<u>LIABILITIES:</u>						
Accounts payable	\$ 17,724	\$ 5,677	\$ 7,027	\$ 65,622	\$ 1,952	\$ 98,002
Salaries and benefits payable	57,349	462	-	34,544	-	92,355
Due to other governments	5,250	3,409	-	102	1,458	10,219
TOTAL LIABILITIES	80,323	9,548	7,027	100,268	3,410	200,576
<u>DEFERRED INFLOWS OF RESOURCES:</u>						
Unavailable revenue:						
Succeeding year property tax	3,397,314	-	1,458,877	-	-	4,856,191
Other	6,911	-	2,968	91,065	-	100,944
TOTAL DEFERRED INFLOWS OF RESOURCES	3,404,225	-	1,461,845	91,065	-	4,957,135
<u>FUND BALANCES:</u>						
Nonspendable:						
Inventories	-	-	-	338,456	-	338,456
Prepaid expenses	106,635	-	-	-	-	106,635
Restricted for:						
Supplemental levy	919,913	-	-	-	-	919,913
Mental health	-	891,117	-	-	-	891,117
Rural services	-	-	675,755	-	-	675,755
Secondary roads	-	-	-	1,304,055	-	1,304,055
Other purposes	-	-	-	-	470,905	470,905
Unassigned	696,291	-	-	-	-	696,291
TOTAL FUND BALANCES	1,722,839	891,117	675,755	1,642,511	470,905	5,403,127
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,207,387	\$ 900,665	\$ 2,144,627	\$ 1,833,844	\$ 474,315	\$ 10,560,838

KEOKUK COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total governmental fund balances	\$	5,403,127
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$29,517,146 and the accumulated depreciation is \$7,426,223.		22,090,923
Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows in the governmental funds.		100,944
The Internal Service Fund is used by management to charge the costs of the County's health and dental insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statements of net position.		28,595
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$	358,091
Deferred inflows of resources		(849,356)
		(491,265)
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(215)
Long-term liabilities, including capital loan notes, compensated absences payable, net OPEB liability and sick leave conversion, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(1,940,569)
Net position of governmental activities	\$	<u>25,191,540</u>

KEOKUK COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General	Special Revenue MH-DD Services	Rural Services	Secondary Roads	Nonmajor Governmental Funds	Total
REVENUES:						
Property and other County tax	\$ 3,192,821	\$ 51,003	\$ 1,370,912	\$	\$	\$ 4,614,736
Interest and penalty on property tax	41,224	-	-	-	-	41,224
Intergovernmental	310,213	16,057	67,228	2,929,654	108,920	3,432,072
Licenses and permits	22,975	-	-	3,713	-	26,688
Charges for service	510,900	-	-	4	85,834	596,738
Use of money and property	144,591	900	-	38,950	63,087	247,528
Miscellaneous	10,277	-	1,670	194,798	-	206,745
Total revenues	<u>4,233,001</u>	<u>67,960</u>	<u>1,439,810</u>	<u>3,167,119</u>	<u>257,841</u>	<u>9,165,731</u>
EXPENDITURES:						
Operating:						
Public safety and legal services	1,046,620	-	-	-	-	1,046,620
Physical health and social services	586,298	-	-	-	-	586,298
Mental health	-	111,455	-	-	-	111,455
County environment and education	242,231	-	117,455	-	-	359,686
Roads and transportation	-	-	-	4,284,733	-	4,284,733
Governmental services to residents	326,909	-	1,162	-	-	328,071
Administration	1,916,401	-	78,366	-	-	1,994,767
Capital projects	-	-	-	66,852	188,267	255,119
Total expenditures	<u>4,118,459</u>	<u>111,455</u>	<u>196,983</u>	<u>4,351,585</u>	<u>188,267</u>	<u>8,966,749</u>
Excess (deficiency) of revenues over (under) expenditures	<u>114,542</u>	<u>(43,495)</u>	<u>1,242,827</u>	<u>(1,184,466)</u>	<u>69,574</u>	<u>198,982</u>
Other financial sources (uses):						
Operating transfers in	-	-	-	1,321,200	-	1,321,200
Operating transfers out	<u>(91,400)</u>	<u>-</u>	<u>(1,229,800)</u>	<u>-</u>	<u>-</u>	<u>(1,321,200)</u>
Total other financing sources (uses)	<u>(91,400)</u>	<u>-</u>	<u>(1,229,800)</u>	<u>1,321,200</u>	<u>-</u>	<u>-</u>
Change in fund balances	23,142	(43,495)	13,027	136,734	69,574	198,982
Fund balances - Beginning of year	<u>1,699,697</u>	<u>934,612</u>	<u>662,728</u>	<u>1,505,777</u>	<u>401,331</u>	<u>5,204,145</u>
Fund balances - End of year	\$ <u>1,722,839</u>	\$ <u>891,117</u>	\$ <u>675,755</u>	\$ <u>1,642,511</u>	\$ <u>470,905</u>	\$ <u>5,403,127</u>

KEOKUK COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Change in fund balances - Total governmental funds \$ 198,982

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 985,204	
Farm to market funds used to construct infrastructure	423,401	
Depreciation expense	<u>(1,038,877)</u>	369,728

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized deferred inflows in the governmental funds as follows:

Property tax and other deferred inflows of resources	(21,010)
--	----------

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

60,000

The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

275,465

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Net OPEB liability	(20,127)	
Compensated absences	1,395	
Sick leave conversion	(3,856)	
Pension expense	(102,059)	
Interest on long-term debt	<u>221</u>	(124,426)

The Internal Service Fund is used by management to charge the costs of employee health and dental benefits to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.

5,145

Change in net position of governmental activities \$ 763,884

KEOKUK COUNTY, IOWA

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

Internal Service -
 Employee
Group Health

ASSETS

Current Assets:

Cash, cash equivalents and pooled investments
 Prepaid expenses

\$ 47,016
77,372

TOTAL ASSETS 124,388

LIABILITIES AND NET POSITION

Current Liabilities:

Deferred revenue

95,793

Net position:

Unrestricted

\$ 28,595

KEOKUK COUNTY, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

Internal Service -
 Employee
Group Health

OPERATING REVENUES:

Charges to County operating funds and others

\$ 1,067,084

OPERATING EXPENSES:

Medical and dental insurance premiums

1,061,709

Refunds and miscellaneous expenses

244

Total operating expenses

1,061,953

Operating income

5,131

NON-OPERATING REVENUES:

Interest income

14

Net income

5,145

NET POSITION - Beginning of year

23,450

NET POSITION - End of year

\$ 28,595

KEOKUK COUNTY, IOWA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

Internal Service -
 Employee
Group Health

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from charges to County operating funds and others	\$ 1,067,376
Cash payments for insurance premiums	(1,047,314)
Cash payments for miscellaneous services	<u>(244)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	19,818

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments	<u>14</u>
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NET INCREASE IN CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS 19,832

CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS - Beginning of Year 27,184

CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS - End of Year \$ 47,016

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 5,131
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in prepaid expenses	14,395
Increase in deferred revenue	<u>292</u>
Net cash provided by operating activities	\$ <u>19,818</u>

KEOKUK COUNTY, IOWASTATEMENT OF FIDUCIARY ASSETS AND LIABILITIESAGENCY FUNDSJUNE 30, 2015ASSETS

Cash, cash equivalents and pooled investments:

County Treasurer \$ 937,902

Other County officials 210,339

Property tax receivable:

Delinquent 24,036

Succeeding year 11,814,825

Due from other governments 2,751

TOTAL ASSETS 12,989,853LIABILITIES

Accounts payable 15,413

Due to other governments 12,748,144

Salaries and benefits payable 5,165

Compensated absences 7,686

Trusts payable 213,445TOTAL LIABILITIES 12,989,853NET POSITION \$ -

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Keokuk County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Keokuk County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Keokuk County Assessor's Conference Board, Keokuk County Emergency Management Commission and Keokuk County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets – consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position – results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position – consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The MH-DD Services Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds:

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, compensated absences and sick leave conversion are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to other funds for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the date of purchase, have a maturity date no longer than three months.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2014.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles, and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings and improvements	50,000
Equipment and vehicles	5,000

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Infrastructure	40-65
Buildings and improvements	20-50
Equipment and vehicles	5-20

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, MH-DD Services and Secondary Roads Funds.

Sick Leave Conversion – Upon their retirement, County employees who have 15 years of continuous County employment, and meet certain other restrictions are eligible to use 25% of their accrued sick leave to pay for future health insurance premiums for themselves, their spouse and dependents, subject to certain coverage restrictions.

Long-Term Liabilities – In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the proceeding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the county environment and education function.

NOTE 2: CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible banker's acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest Rate Risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

The County's funds are all deposited in financial institution depository accounts.

KEOKUK COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,229,800
	General	91,400
		<u>\$ 1,321,200</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTE 4: CONTRACTS RECEIVABLE – SECONDARY ROADS

As of June 30, 2015, the County has long-term interest-free contracts receivable from three cities for reimbursements from road paving. Summaries of the repayment schedules are as follows:

<u>Year Ending June 30,</u>	<u>City of Gibson</u>	<u>City of Harper</u>	<u>City of What Cheer</u>	<u>Total</u>
2016	\$ 17,500	\$ 3,350	\$ -	\$ 20,850
2017	2,500	1,675	5,600	9,775
2018	2,500	1,675	7,800	11,975
2019	2,500	1,661	7,800	11,961
2020	2,379	-	7,800	10,179
2021-2024	-	-	<u>26,325</u>	<u>26,325</u>
Total	\$ <u>27,379</u>	\$ <u>8,361</u>	\$ <u>55,325</u>	\$ <u>91,065</u>

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases and Transfers</u>	<u>Decreases and Transfers</u>	<u>Balance End of Year</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,010,900	\$ -	\$ -	\$ 1,010,900
Construction in progress	<u>1,926,050</u>	<u>423,401</u>	<u>(2,349,451)</u>	<u>-</u>
Total capital assets not being depreciated	<u>2,936,950</u>	<u>423,401</u>	<u>(2,349,451)</u>	<u>1,010,900</u>
Capital assets being depreciated:				
Buildings and improvements	1,945,049	518,529	-	2,463,578
Equipment and vehicles	5,520,231	366,699	(205,871)	5,681,059
Infrastructure	<u>17,912,182</u>	<u>2,449,427</u>	<u>-</u>	<u>20,361,609</u>
Total capital assets being depreciated	<u>25,377,462</u>	<u>3,334,655</u>	<u>(205,871)</u>	<u>28,506,246</u>
Less accumulated depreciation for:				
Buildings and improvements	622,800	61,457	-	684,257
Equipment and vehicles	3,579,868	369,243	(205,871)	3,743,240
Infrastructure	<u>2,390,549</u>	<u>608,177</u>	<u>-</u>	<u>2,998,726</u>
Total accumulated depreciation	<u>6,593,217</u>	<u>1,038,877</u>	<u>(205,871)</u>	<u>7,426,223</u>
Total capital assets being depreciated, net	<u>18,784,245</u>	<u>2,295,778</u>	<u>-</u>	<u>21,080,023</u>
Governmental activities capital assets, net	\$ <u>21,721,195</u>	\$ <u>2,719,179</u>	\$ <u>(2,349,451)</u>	\$ <u>22,090,923</u>

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5: CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 77,279
Physical health and social services	1,750
Mental health	600
County environment and education	66,296
Roads and transportation	844,646
Governmental services to residents	5,623
Administration	<u>42,683</u>

Total depreciation expense - Governmental activities	\$ <u>1,038,877</u>
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NOTE 6: DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2015 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Total</u>
General	Services	\$ <u>5,250</u>
Special Revenue:		
MH-DD	Services	3,409
Secondary Roads		102
Conservation Land Acquisition		1,112
Conservation		<u>346</u>
		4,969
Total for governmental funds		\$ <u>10,219</u>
Agency:		
E-911	Collections	\$ 171,801
Fire districts		237,179
County hospital		1,200,324
Townships		111,962
Corporations		2,057,519
Schools		7,409,956
Area schools		536,418
County Assessor		493,501
Agriculture extension education		168,835
Auto license and use tax		295,554
All other		<u>65,095</u>
Total for agency funds		\$ <u>12,748,144</u>

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	General Obligation Capital Loan Notes	Compensated Absences	Sick Leave Conversion	Net OPEB Liability	Net Pension Liability	Total
Balance – Beginning of year, as restated	\$ 120,000	\$ 254,563	\$ 24,575	\$ 170,808	\$ 2,358,358	\$ 2,928,304
Increases	-	253,168	3,856	20,127	-	277,151
Decreases	<u>60,000</u>	<u>254,563</u>	<u>-</u>	<u>-</u>	<u>950,323</u>	<u>1,264,886</u>
Balance - End of year	\$ <u>60,000</u>	\$ <u>253,168</u>	\$ <u>28,431</u>	\$ <u>190,935</u>	\$ <u>1,408,035</u>	\$ <u>1,940,569</u>
Due within one year	\$ <u>60,000</u>	\$ <u>253,168</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>313,168</u>

Capital Loan Notes

A summary of the County's June 30, 2015 general obligation capital loan note indebtedness is as follows:

<u>\$575,000 – Series 2004</u>					
<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2016	4.50 %	\$ 60,000	\$ 2,700	\$ 62,700	

During the year ended June 30, 2015, the County retired \$60,000 of capital loan notes.

NOTE 8: PENSION AND RETIREMENT BENEFITS

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8: PENSION AND RETIREMENT BENEFITS (Continued)

Sheriff and deputy and protection occupation members may retire at normal retirement age which is generally at age 55. Sheriff and deputy and protection occupation members may retire anytime after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff and deputy and protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the County contributed 8.93 percent for a total rate of 14.88 percent. Sheriff and deputy members and the County both contributed 9.88 percent of pay for a total rate of 19.76 percent. Protection occupation members contributed 6.76 percent of pay and the County contributed 10.14 percent for a total rate of 16.90 percent.

The County's contributions to IPERS for the year ended June 30, 2015 were \$275,465.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the County reported a liability of \$1,408,035 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was .0355035 percent, which was a decrease of .005571 from their collective proportion measured as of June 30, 2013.

KEOKUK COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8: PENSION AND RETIREMENT BENEFITS (Continued)

For the year ended June 30, 2015, the County recognized pension expense of \$102,059. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 16,327	\$ 18,933
Changes of assumptions	66,299	14,032
Net difference between projected and actual earnings on pension plan investments		755,728
Changes in proportion and differences between County contributions and proportionate share of contributions		60,663
County contributions subsequent to the measurement date	<u>275,465</u>	
Total	\$ <u>358,091</u>	\$ <u>849,356</u>

\$275,465 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2016	\$ (191,503)
2017	(191,503)
2018	(191,503)
2019	(191,503)
2020	<u>(718)</u>
	\$ <u>(766,730)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8: PENSION AND RETIREMENT BENEFITS (Continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23 %	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	<u>1</u>	(0.69)
Total	<u>100</u> %	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 8: PENSION AND RETIREMENT BENEFITS (Continued)

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

– The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
County's proportionate share of the net pension liability:	\$ 3,134,058	\$ 1,408,035	\$ (47,722)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, the County had no liability due to IPERS.

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. The County operates a single-employer health benefits plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 65 active and 1 retired member in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2015, the amounts actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 43,798
Interest on net OPEB obligation	6,832
Adjustment to annual required contribution	<u>(3,644)</u>
Annual OPEB cost	46,986
Contributions made	<u>(26,859)</u>
Increase in net OPEB obligation	20,127
Net OPEB obligation beginning of year	<u>170,808</u>
Net OPEB obligation end of year	\$ <u>190,935</u>

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the County contributed \$26,859 to the medical plan.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2013	\$ 43,828	39.2	% \$ 145,057
2014	46,505	44.6	170,808
2015	46,896	57.3	190,935

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$374,045, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$374,045. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,751,616 and the ratio of the UAAL to covered payroll was 13.59%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress For the Retiree Health Plan presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Combined Mortality Table, fully generationally projected using scale AA. Annual retirement and termination probabilities were determined using guidance from GASB 45 related to the use of the alternate method.

Projected claim costs of the medical plan are \$673 per month for retirees and \$1,609 per month for retirees and their spouses. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10: RISK MANAGEMENT

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2015 were \$84,553.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the County's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11: EMPLOYEE HEALTH INSURANCE PLAN

Monthly payments of service fees and plan contributions to the Keokuk County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Blue Cross and Blue Shield of Iowa from the Keokuk County Employee Group Health Fund. The County records the plan assets and related liabilities of the Keokuk County Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for both health premiums and dental premiums/claims for the year ended June 30, 2015 was \$1,063,613.

NOTE 12: CONSTRUCTION COMMITMENTS

Prior to June 30, 2015 the County had signed a construction contract that is summarized below:

Total commitments	\$ 367,278
Less amounts paid or accrued	-
Remaining commitments	\$ <u>367,278</u>

The \$367,278 balance remaining on the project at June 30, 2015 will be paid as work on the project progresses.

NOTE 13: ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>
Net position June 30, 2014, as previously reported	\$ 26,500,362
Net pension liability at June 30, 2014	(2,358,358)
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date	<u>285,652</u>
Net position June 30, 2014, as restated	\$ <u>24,427,656</u>

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 14: KEOKUK COUNTY, IOWA FINANCIAL INFORMATION INCLUDED IN THE MENTAL HEALTH REGION

Southeast Iowa Link, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, includes the following member counties: Washington, Jefferson, Henry, Louisa, Des Moines, Van Buren, Lee, and Keokuk County, Iowa. The financial activity of Keokuk County, Iowa's Special Revenue, Mental Health Fund is included in the Southeast Iowa Link for the year ended June 30, 2015 as follows:

Revenues:		
Property and other county tax	\$	51,003
Intergovernmental revenues:		
State tax credits	\$	6,563
Social services block grant		<u>9,494</u>
Use of money and property		<u>900</u>
Total revenues		<u>67,960</u>
Expenditures:		
Services to persons with:		
Mental illness		48,698
General administration		
Direct administration	52,383	
Distribution to regional fiscal agent	<u>10,374</u>	<u>62,757</u>
Total expenditures		<u>111,455</u>
Deficiency of revenues under expenditures		(43,495)
Fund balance beginning of the year		<u>934,612</u>
Fund balance end of the year	\$	<u>891,117</u>

NOTE 15: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2014 have been reclassified to conform to June 30, 2015 presentation.

NOTE 16: SUBSEQUENT EVENTS

Subsequent events have been reviewed through January 12, 2016, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

KEOKUK COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

	Governmental Fund Types <u>Actual</u>	Budgeted Amounts <u>Original</u>	Budgeted Amounts <u>Final</u>	Final to Actual <u>Variance</u>
<u>RECEIPTS:</u>				
Property and other County tax	\$ 4,614,738	\$ 4,605,078	\$ 4,605,078	\$ 9,660
Interest and penalty on property tax	41,226	37,500	37,500	3,726
Intergovernmental	3,360,552	3,184,124	3,309,849	50,703
Licenses and permits	27,043	45,000	45,000	(17,957)
Charges for service	590,194	559,415	559,415	30,779
Use of money and property	241,592	347,845	399,666	(158,074)
Miscellaneous	203,693	135,000	196,204	7,489
Total receipts	<u>9,079,038</u>	<u>8,913,962</u>	<u>9,152,712</u>	<u>(73,674)</u>
<u>DISBURSEMENTS:</u>				
Public safety and legal services	1,047,965	1,154,634	1,154,634	106,669
Physical health and social services	575,423	732,907	732,907	157,484
Mental health	113,007	490,075	490,075	377,068
County environment and education	358,414	357,274	357,274	(1,140)
Roads and transportation	4,502,218	4,282,050	4,520,050	17,832
Governmental services to residents	328,109	375,763	375,763	47,654
Administration	1,904,434	2,177,463	2,223,563	319,129
Capital projects	253,355	354,000	454,000	200,645
Total disbursements	<u>9,082,925</u>	<u>9,924,166</u>	<u>10,308,266</u>	<u>1,225,341</u>
Excess (deficiency) of receipts over (under) disbursements	(3,887)	(1,010,204)	(1,155,554)	1,151,667
<u>BALANCE</u> - Beginning of year	<u>4,812,120</u>	<u>4,345,122</u>	<u>4,345,122</u>	<u>466,998</u>
<u>BALANCE</u> - End of year	\$ <u>4,808,233</u>	\$ <u>3,334,918</u>	\$ <u>3,189,568</u>	\$ <u>1,618,665</u>

KEOKUK COUNTY, IOWA

BUDGET COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 9,079,038	\$ 86,693	\$ 9,165,731
Expenditures	<u>9,082,925</u>	<u>(116,176)</u>	<u>8,966,749</u>
Net	(3,887)	202,869	198,982
Beginning fund balances	<u>4,812,120</u>	<u>392,025</u>	<u>5,204,145</u>
Ending fund balances	\$ <u>4,808,233</u>	\$ <u>594,894</u>	\$ <u>5,403,127</u>

KEOKUK COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund and the Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregate function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department.. During the year one budget amendment increased budgeted disbursements by \$384,100. The budget amendments are reflected in the final budgeted amounts

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the county environment and education function.

KEOKUK COUNTY, IOWA

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR*

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
County's proportion of the net pension liability	0.0355035 %
County's proportionate share of the net pension liability	\$ 1,408,035
County's covered-employee payroll	\$ 3,139,342
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	44.85 %
Plan fiduciary net position as a percentage of the total pension liability	87.61 %

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

KEOKUK COUNTY, IOWA

SCHEDULE OF COUNTY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 275,465	\$ 275,618
Contributions in relation to the statutorily required contribution	<u>275,465</u>	<u>275,618</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>
County's covered-employee payroll	\$ 3,006,415	\$ 3,139,342
Contributions as a percentage of covered-employee payroll	9.16 %	8.78 %

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

KEOKUK COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

KEOKUK COUNTY, IOWA

SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year</u> <u>Ended</u> <u>June 30,</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
2010	July 1, 2009	\$	\$ 557,392	\$ 557,392	0%	\$ 2,452,874	22.70%
2011	July 1, 2009	\$	\$ 557,392	\$ 557,392	0%	\$ 2,551,784	21.84%
2012	July 1, 2009	\$	\$ 557,392	\$ 557,392	0%	\$ 2,622,400	21.26%
2013	July 1, 2012	\$	\$ 374,045	\$ 374,045	0%	\$ 2,689,110	13.90%
2014	July 1, 2012	\$	\$ 374,045	\$ 374,045	0%	\$ 3,206,406	11.67%
2015	July 1, 2012	\$	\$ 374,045	\$ 374,045	0%	\$ 2,751,616	13.59%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

KEOKUK COUNTY, IOWA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

		<u>Special Revenue</u>	
		<u>County</u>	<u>Conservation</u>
	<u>REAP</u>	<u>Recorder's</u>	<u>Land</u>
	<u>Fund</u>	<u>Records</u>	<u>Acquisition</u>
		<u>Management</u>	
<u>ASSETS</u>			
Cash, cash equivalents and pooled investments	\$ 39,578	\$ 8,264	\$ 272,777
Due from other governments	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>39,578</u>	\$ <u>8,264</u>	\$ <u>272,777</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ -	\$ -	\$ 592
Due to other governments	<u>-</u>	<u>-</u>	<u>1,112</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>1,704</u>
<u>FUND BALANCES:</u>			
Restricted for:			
Other purposes	<u>39,578</u>	<u>8,264</u>	<u>271,073</u>
Total fund balances	<u>39,578</u>	<u>8,264</u>	<u>271,073</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>39,578</u>	\$ <u>8,264</u>	\$ <u>272,777</u>

<u>Conservation</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 131,931	\$ 16,454	\$ 469,004
<u>5,311</u>	<u>5,311</u>	<u>5,311</u>
\$ <u>131,931</u>	\$ <u>21,765</u>	\$ <u>474,315</u>
\$ 1,360	\$ -	\$ 1,952
<u>346</u>	<u>-</u>	<u>1,458</u>
<u>1,706</u>	<u>-</u>	<u>3,410</u>
<u>130,225</u>	<u>21,765</u>	<u>470,905</u>
<u>130,225</u>	<u>21,765</u>	<u>470,905</u>
\$ <u>131,931</u>	\$ <u>21,765</u>	\$ <u>474,315</u>

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

		<u>Special Revenue</u>	
		County	
	<u>REAP</u>	<u>Recorder's</u>	<u>Conservation</u>
	<u>Fund</u>	<u>Records</u>	<u>Land</u>
		<u>Management</u>	<u>Acquisition</u>
<u>REVENUES:</u>			
Intergovernmental	\$ 12,922	\$ -	\$ -
Charges for service	-	2,070	71,341
Use of money and property	<u>37</u>	<u>3</u>	<u>57,362</u>
Total revenues	<u>12,959</u>	<u>2,073</u>	<u>128,703</u>
<u>EXPENDITURES:</u>			
Capital projects	<u>-</u>	<u>-</u>	<u>98,845</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>98,845</u>
Change in fund balances	12,959	2,073	29,858
Fund balances - Beginning of year	<u>26,619</u>	<u>6,191</u>	<u>241,215</u>
Fund balances - End of year	\$ <u>39,578</u>	\$ <u>8,264</u>	\$ <u>271,073</u>

<u>Conservation</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 95,998	\$ -	\$ 108,920
	12,423	85,834
<u>5,685</u>	<u>-</u>	<u>63,087</u>
<u>101,683</u>	<u>12,423</u>	<u>257,841</u>
<u>67,238</u>	<u>22,184</u>	<u>188,267</u>
<u>67,238</u>	<u>22,184</u>	<u>188,267</u>
34,445	(9,761)	69,574
<u>95,780</u>	<u>31,526</u>	<u>401,331</u>
\$ <u>130,225</u>	\$ <u>21,765</u>	\$ <u>470,905</u>

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2015

	<u>County Offices</u>		
	<u>County Recorder</u>	<u>County Sheriff</u>	<u>County Auditor</u>
<u>ASSETS</u>			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ -	\$ -	\$ -
Other County officials	13,614	39,200	157,525
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Due from other governments	-	-	-
TOTAL ASSETS	\$ 13,614	\$ 39,200	\$ 157,525
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ -	\$ -
Due to other governments	13,614	-	-
Salaries and benefits payable	-	-	-
Compensated absences	-	-	-
Trusts payable	-	39,200	157,525
TOTAL LIABILITIES	\$ 13,614	\$ 39,200	\$ 157,525

<u>E-911</u>	<u>Emergency Management Services</u>	<u>Fire Districts</u>	<u>Brucellosis and Tuberculosis Eradication Fund</u>	<u>County Hospital</u>	<u>Townships</u>	<u>Corporations</u>
\$ 186,718	\$ 45,375	\$ 3,067	\$ 845	\$ 18,284	\$ 1,700	\$ 43,727
-	-	-	-	-	-	-
-	-	475	4	2,400	224	4,088
-	-	233,637	1,819	1,179,640	110,038	2,009,704
-	2,751	-	-	-	-	-
\$ <u>186,718</u>	\$ <u>48,126</u>	\$ <u>237,179</u>	\$ <u>2,668</u>	\$ <u>1,200,324</u>	\$ <u>111,962</u>	\$ <u>2,057,519</u>
\$ 14,917	\$ 356	\$ -	\$ -	\$ -	\$ -	\$ -
171,801	38,803	237,179	2,668	1,200,324	111,962	2,057,519
-	1,281	-	-	-	-	-
-	7,686	-	-	-	-	-
-	-	-	-	-	-	-
\$ <u>186,718</u>	\$ <u>48,126</u>	\$ <u>237,179</u>	\$ <u>2,668</u>	\$ <u>1,200,324</u>	\$ <u>111,962</u>	\$ <u>2,057,519</u>

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2015

	<u>Schools</u>	<u>Area Schools</u>	<u>County Assessor</u>	<u>Agriculture Extension Education</u>
<u>ASSETS</u>				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ 110,916	\$ 8,023	\$ 194,450	\$ 2,513
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	14,819	1,073	615	338
Succeeding year	7,284,221	527,322	302,460	165,984
Due from other governments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>7,409,956</u>	\$ <u>536,418</u>	\$ <u>497,525</u>	\$ <u>168,835</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ 140	\$ -
Due to other governments	7,409,956	536,418	493,501	168,835
Salaries and benefits payable	-	-	3,884	-
Compensated absences	-	-	-	-
Trusts payable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	\$ <u>7,409,956</u>	\$ <u>536,418</u>	\$ <u>497,525</u>	\$ <u>168,835</u>

<u>Auto License and Use Tax</u>	<u>City Special Assessments</u>	<u>Tax Sale Redemption Trust</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>Recorder's E-Transfer Fee</u>	<u>Advance Tax</u>	<u>Total</u>
\$ 295,554	\$ 9,724	\$ 1,654	\$ 91	\$ 195	\$ 15,066	\$ 937,902
-	-	-	-	-	-	210,339
-	-	-	-	-	-	24,036
-	-	-	-	-	-	11,814,825
-	-	-	-	-	-	2,751
<u>\$ 295,554</u>	<u>\$ 9,724</u>	<u>\$ 1,654</u>	<u>\$ 91</u>	<u>\$ 195</u>	<u>\$ 15,066</u>	<u>\$ 12,989,853</u>
\$ 295,554	\$ 9,724	\$ -	\$ 91	\$ 195	\$ -	\$ 15,413
-	-	-	-	-	-	12,748,144
-	-	-	-	-	-	5,165
-	-	-	-	-	-	7,686
-	-	1,654	-	-	15,066	213,445
<u>\$ 295,554</u>	<u>\$ 9,724</u>	<u>\$ 1,654</u>	<u>\$ 91</u>	<u>\$ 195</u>	<u>\$ 15,066</u>	<u>\$ 12,989,853</u>

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2015

<u>ASSETS AND LIABILITIES</u>	<u>County Offices</u>		
	<u>County Recorder</u>	<u>County Sheriff</u>	<u>County Auditor</u>
Balances beginning of year	\$ <u>9,033</u>	\$ <u>39,095</u>	\$ <u>156,954</u>
Additions:			
Property and other County tax	-	-	-
State tax credits	-	-	-
E911 surcharge	-	-	-
Emergency management grants	-	-	-
Office fees and collections	174,815	-	-
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	-
Interest income	-	-	-
Trusts	-	86,999	571
Miscellaneous	-	-	-
Total additions	<u>174,815</u>	<u>86,999</u>	<u>571</u>
Deductions:			
Agency remittances:			
To other governments	170,234	-	-
Trusts paid out	-	86,894	-
Total deductions	<u>170,234</u>	<u>86,894</u>	<u>-</u>
Balances end of year	\$ <u>13,614</u>	\$ <u>39,200</u>	\$ <u>157,525</u>

<u>E-911</u>	<u>Emergency Management Services</u>	<u>Fire Districts</u>	<u>Brucellosis and Tuberculosis Eradication Fund</u>	<u>County Hospital</u>	<u>Townships</u>	<u>Corporations</u>
\$ <u>110,820</u>	\$ <u>35,347</u>	\$ <u>233,683</u>	\$ <u>2,620</u>	\$ <u>1,211,823</u>	\$ <u>111,239</u>	\$ <u>2,008,197</u>
	-	224,403	1,713	1,110,309	104,050	1,785,423
	-	10,851	119	78,753	6,705	242,323
225,762						-
-	103,298					-
-						-
-						-
205			-			-
549			-			-
<u>226,516</u>	<u>103,298</u>	<u>235,254</u>	<u>1,832</u>	<u>1,189,062</u>	<u>110,755</u>	<u>2,027,746</u>
150,618	90,519	231,758	1,784	1,200,561	110,032	1,978,424
<u>150,618</u>	<u>90,519</u>	<u>231,758</u>	<u>1,784</u>	<u>1,200,561</u>	<u>110,032</u>	<u>1,978,424</u>
\$ <u>186,718</u>	\$ <u>48,126</u>	\$ <u>237,179</u>	\$ <u>2,668</u>	\$ <u>1,200,324</u>	\$ <u>111,962</u>	\$ <u>2,057,519</u>

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2015

<u>ASSETS AND LIABILITIES</u>	<u>Schools</u>	<u>Area Schools</u>	<u>County Assessor</u>
Balances beginning of year	\$ <u>7,191,821</u>	\$ <u>529,804</u>	\$ <u>447,919</u>
Additions:			
Property and other County tax	6,870,318	497,003	284,463
State tax credits	472,286	34,447	20,436
E911 surcharge	-	-	-
Emergency management grants	-	-	-
Office fees and collections	-	-	241
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	-
Interest income	-	-	-
Trusts	-	-	-
Miscellaneous	-	-	-
Total additions	<u>7,342,604</u>	<u>531,450</u>	<u>305,140</u>
Deductions:			
Agency remittances:			
To other governments	7,124,469	524,836	255,534
Trusts paid out	-	-	-
Total deductions	<u>7,124,469</u>	<u>524,836</u>	<u>255,534</u>
Balances end of year	\$ <u>7,409,956</u>	\$ <u>536,418</u>	\$ <u>497,525</u>

Schedule 4 - (Continued)

<u>Agriculture Extension Education</u>	<u>Auto License and Use Tax</u>	<u>City Special Assessments</u>	<u>Tax Sale Redemption Trust</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>Recorder's E-Transfer Fee</u>	<u>Advance Tax</u>	<u>Total</u>
\$ 166,424	\$ 277,718	\$ 7,076	\$ 1,654	\$ 80	\$ 193	\$ 9,818	\$ 12,551,318
156,467	-	-	-	-	-	-	11,034,149
10,822	-	-	-	-	-	-	876,742
-	-	-	-	-	-	-	225,762
-	-	-	-	-	-	-	103,298
-	-	-	-	-	2,058	-	177,114
-	3,427,063	-	-	-	-	-	3,427,063
-	-	25,392	-	-	-	-	25,392
-	-	-	-	-	-	-	205
-	-	-	150,953	-	-	5,248	243,771
-	-	-	-	11	-	-	560
<u>167,289</u>	<u>3,427,063</u>	<u>25,392</u>	<u>150,953</u>	<u>11</u>	<u>2,058</u>	<u>5,248</u>	<u>16,114,056</u>
164,878	3,409,227	22,744	-	-	2,056	-	15,437,674
-	-	-	150,953	-	-	-	237,847
<u>164,878</u>	<u>3,409,227</u>	<u>22,744</u>	<u>150,953</u>	<u>-</u>	<u>2,056</u>	<u>-</u>	<u>15,675,521</u>
\$ 168,835	\$ 295,554	\$ 9,724	\$ 1,654	\$ 91	\$ 195	\$ 15,066	\$ 12,989,853

KEOKUK COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
REVENUES:				
Property and other County tax	\$ 4,614,736	\$ 4,323,336	\$ 4,380,378	\$ 4,134,082
Interest and penalty on property tax	41,224	29,627	52,943	39,309
Intergovernmental	3,432,072	3,433,930	2,951,572	3,872,401
Licenses and permits	26,688	17,973	18,841	29,193
Charges for service	596,738	570,052	633,178	504,375
Use of money and property	247,528	342,743	367,741	277,866
Miscellaneous	206,745	214,882	192,092	205,244
Total	\$ 9,165,731	\$ 8,932,543	\$ 8,596,745	\$ 9,062,470
EXPENDITURES:				
Operating:				
Public safety and legal services	\$ 1,046,620	\$ 975,936	\$ 1,060,450	\$ 960,742
Physical health and social services	586,298	559,314	538,613	539,300
Mental health	111,455	159,787	281,813	1,092,270
County environment and education	359,686	355,499	351,430	625,558
Roads and transportation	4,284,733	4,241,979	4,913,046	4,198,847
Governmental services to residents	328,071	339,262	327,923	335,334
Administration	1,994,767	1,702,538	1,814,802	1,652,919
Nonprogram activities	-	-	-	-
Debt service	-	-	2,750	2,676
Capital projects	255,119	288,533	309,295	448,443
Total	\$ 8,966,749	\$ 8,622,848	\$ 9,600,122	\$ 9,856,089

Modified Accrual Basis						
Year Ended June 30,						
	2011	2010	2009	2008	2007	2006
\$	4,451,090	\$ 4,491,081	\$ 4,278,362	\$ 4,146,427	\$ 3,908,985	\$ 3,639,988
	53,271	49,825	39,162	37,434	33,216	34,828
	3,600,737	3,382,091	3,164,445	3,250,346	3,178,938	3,448,239
	128,579	119,673	20,444	27,385	27,439	17,158
	537,607	500,348	520,652	559,983	540,381	731,732
	394,694	447,740	471,183	520,114	416,800	226,287
	<u>209,508</u>	<u>229,827</u>	<u>188,329</u>	<u>201,933</u>	<u>191,985</u>	<u>194,051</u>
\$	<u>9,375,486</u>	\$ <u>9,220,585</u>	\$ <u>8,682,577</u>	\$ <u>8,743,622</u>	\$ <u>8,297,744</u>	\$ <u>8,292,283</u>
\$	962,292	\$ 832,873	\$ 791,749	\$ 815,636	\$ 927,905	\$ 889,643
	534,636	522,230	541,124	650,420	634,550	606,011
	883,459	788,534	910,276	929,375	885,827	747,131
	584,534	373,943	365,580	370,509	427,390	442,101
	3,638,085	3,362,003	3,628,974	3,446,243	3,744,575	3,864,764
	317,273	304,348	328,383	344,202	264,485	450,361
	1,991,011	1,296,221	1,427,247	1,132,990	1,114,387	859,312
	-	-	-	-	312,579	3,446
	-	-	-	-	-	42,660
	<u>505,607</u>	<u>318,217</u>	<u>166,091</u>	<u>185,331</u>	<u>546,270</u>	<u>420,552</u>
\$	<u>9,416,897</u>	\$ <u>7,798,369</u>	\$ <u>8,159,424</u>	\$ <u>7,874,706</u>	\$ <u>8,857,968</u>	\$ <u>8,325,981</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Elected Officials of
Keokuk County, Iowa

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Keokuk County, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Keokuk County, Iowa's basic financial statements and have issued our report thereon dated January 12, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Keokuk County, Iowa's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Keokuk County, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of Keokuk County, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as item II-A-15 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as item II-B-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Keokuk County, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in part III of the accompanying schedule of findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Keokuk County, Iowa's Response to Findings

Keokuk County, Iowa's response to the findings identified in our audit is described in the accompanying schedule of findings. Keokuk County, Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Keokuk County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
January 12, 2016

KEOKUK COUNTY, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS:

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Internal Control Deficiencies:

II-A-15 Segregation of Duties

Comment – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in each of the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipts records.	Ag Extension Recorder
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not handle or record cash.	Ag Extension Recorder
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Ag Extension Recorder

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. Officials should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

KEOKUK COUNTY, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS: (Continued)

Internal Control Deficiencies: (Continued)

II-A-15 Segregation of Duties (Continued)

Responses

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Recorder – At the end of each day a listing of cash receipts, a fee book report of entered business and cash on hand are balanced or compared by two or more employees. Bank accounts are reconciled promptly by the Deputy Recorder, who does not sign checks except in the absence of the Recorder. Two or more employees are involved in comparing a listing of cash receipts, fee book report of entered business and actual cash to balance before weekly cash deposits are made.

The same practice is used monthly and quarterly to balance at the end of each month and quarter. It should be noted that at the end of the fiscal year, the Recorder's checking account obtains a zero balance as no monies are retained by this office except for \$100 petty cash retained for the cash register. All monies either monthly or quarterly are reported to the County Treasurer or appropriate state or federal agencies. As this office employs a full-time Recorder, a full-time Deputy and a part-time Recording clerk, I feel we have accomplished a segregation of duties to the best of our ability.

Conclusion – Responses accepted.

II-B-15 Expense Documentation – During our testing of expenses, it was determined that an expense reimbursement for mileage did not include the number of miles driven, so it was impossible to recalculate the reimbursement amount.

Recommendation – Mileage reimbursement requests should include the number of miles for which reimbursement was requested.

Response – We will do so from now on.

Conclusion – Response accepted.

Instances of Non-Compliance:

No matters were noted.

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

III-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the county environment and education function.

Recommendation – The budget should have been amended in accordance with the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budget in the future, when required.

Conclusion – Response accepted.

KEOKUK COUNTY, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING: (Continued)

- III-B-15 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-15 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- III-D-15 Business Transactions – No business transactions between the County and County officials or employees were noted.
- III-E-15 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- III-F-15 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-G-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.
- III-H-15 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- III-I-15 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2015 for the County Extension Office did not exceed the amount budgeted.